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336-62
6 July 1962

MEMORANDUM FOR: Director of Central Intelligence

THROUGH : Deputy Director of Central Intelligence

SUBJECT : Meeting with the Bureau of the Budget

Bob Amory invited me to his office to discuss various points which developed during the course of your meeting with the Director, Bureau of the Budget on Friday, 29 June. The following points appear of particular importance.

1. Balance of Payments

On reflection, Mr. Bell apparently felt that he had not been forceful enough in expressing the President's wishes with respect to the balance of payments problem. Mr. Bell wanted the President's words conveyed as follows:

"Every dollar spent outside of the United States should be regarded as the equivalent of a drop of blood (your own)."

This message has been conveyed to Messrs. McManis and Hamilton. Bob informed me that AID is being required to cut back its overseas expenditures by 25% and [redacted]

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[redacted]. In this connection, we are giving Bob a breakdown of our overseas expenditures as agreed at the meeting on Friday.

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I told Bob that I hoped the Bureau of the Budget was making the President's views on this balance of payments problem clear to policy-making officials such as Gen. Taylor. Bob said that this would be done, recognizing the difficult position of the Agency which is inevitably caught between pressures from the Special Group and elsewhere for enhanced operational programs and pressures from the Bureau of the Budget and the White House for economies and the elimination of activities which constitute a drain on the dollar, etc.

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2. 1964 Budget

25X1A1a The Director, Bureau of the Budget, is requesting us to hold
 25X1A1a our expenditures at the level of [] (exclusive of OXCART
 25X1A1a and follow on for CORONA). The Bureau of the Budget estimates that
 25X1A1a [] of our [] budget in 1963 is attributable to
 25X1A1a OXCART. Hence, the figure of [] as the limit for con-
 25X1A1a ventional Agency operations. (Our current estimate for Pete Scoville's
 25X1A1a area in 1964 includes [] for OXCART and [] for
 25X1A1a carry on for CORONA. These are the two items which would be excluded
 25X1A1a in computing the [])

I told Bob that one factor which would have an inflationary effect on our budget is the need for headroom for additional promotions and also of our need for an early retirement system. As regards the latter, Bob informed me that the Bureau of the Budget would support efforts to obtain Congressional approvals for an early retirement system this year. I told Bob of Larry Houston's current proposal to accomplish this by giving the DCI authority to make the provisions of the Foreign Service Retirement Act applicable in individual cases under appropriate circumstances.

Bob also assured me that the Agency would be permitted to go to the Reserve for at least most of the cost of any salary increases in the event of the enactment of the President's Wage Bill.

3. Coordination

Bob said that the Bureau was concerned at what he characterized as lack of progress in the coordinating field. The Bureau apparently attaches a great deal of importance to the development of a Coordinating Staff the absence of which makes coordination, the elimination of duplication, etc., a slow if not impossible process. I reverted to the remarks made on Friday concerning progress in the SIGINT field resulting from Gen. Sanford's and Gen. Blake's appointments; the necessity for a deliberate approach to this problem; the difficulty of obtaining an appropriately qualified staff; the necessity of giving DIA time to jell, etc. Bob concluded this part of the discussion by saying that BOB considers that this matter falls within their prerogative to consider organizational matters.

4. Size of Headquarters

Bob reverted to the charge that the Agency, particularly the clandestine services, is greatly overstaffed. I repeated the reasons

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why security and operational effectiveness require a rather large number of qualified people in the control and supervision of a complex operational program. I also pointed to the large number of requirements, currently expanding at a rapid rate, particularly in the counter-insurgency field. Bob concluded by saying that while there was probably justice in our position he felt that it was absolutely essential to undertake a searching examination of the manpower situation in the Agency and either accomplish some cutbacks or develop a convincing basis of explanation as to exactly why we need so many people and, graphically, how they spend their time.

5. FEC and AmComLib

Bob suggested that, in lieu of the survey which you suggested during the course of your conversation with Mr. Bell on Friday, the President might be asked to solicit opinions from a list of individuals, in whom he has confidence, about the desirability of continuing the two radios on a slightly expanded basis. Bob believes that McGeorge Bundy and others are thoroughly sold on the radios and that opposition has been very substantially reduced if not pretty much eliminated. He suggested that we ask the State Department for an opinion on the value of the two radios by way of an official commentary on the dispatches from Prague and Warsaw which add up to a favorable evaluation of the two radios by both embassies. I have talked to [] who will try to obtain Alexis Johnson's reaction to such a step by the State Department. If he is favorable, it seems to [] and me to be a good idea to suggest that the Bureau of the Budget formally solicit the State Department's views on the two radios. This assumes, of course, that we have learned in advance that State's views will be favorable.

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/s/
JOHN A. BROSS
Comptroller

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